

## **Testimony of Kurt D. Gallinger On Behalf of Michigan Property and Casualty Insurers**

Wednesday, October 17, 2007

Thank you Chairman Smith and committee members for the opportunity to testify before you today. In the past, I have come before this committee on behalf of the Amerisure Companies or the Michigan Insurance Coalition. However, today, I am before you representing Amerisure and MIC, along with many other insurance companies who all oppose House Bills 5282-5285 as introduced. Just since last Thursday when these bills were introduced, more than 20 Michigan insurers – tax-paying insurers – on behalf of their thousands of employees and millions of Michigan insurance policy holders have expressed grave concerns about what this committee is considering today. And the number of aggrieved insurers is growing by the day as the provisions of these bills become more widely known.

In short, these bills are bad for the competitive insurance market, they are bad for the state, they are bad for our employees and they are disastrous for the Michigan consumer. In fact, the only ones these bills are not bad for is Blue Cross Blue Shield and their subsidiaries...the authors of these bills.

I am here to urge your OPPOSITION to House Bills 5282-5285, the Blues' so-called Individual Market Reform package of bills. This four-bill package -- introduced just last Thursday -- is apparently on a fast track to pass the House before anyone has a chance to review it and discover its true scope and effect. We understand this may take place as early as today immediately following the first public review of these bills in this committee

These bills would authorize Blue Cross to leverage its special charter, its tax-free revenues and its marketplace dominance to unfairly compete with tax-paying, for-profit insurance companies. In fact, these bills would actually authorize Blue Cross to unfairly compete with any business that can be legally operated in Michigan.

Here are just three admonitions (there are many others) that call for deliberative review and resolution before these bills are fit to enact:

**1. DON'T LET THE BLUES OPERATE LIKE A FOR-PROFIT BUSINESS, WHILE THEY ARE TAX-EXEMPT LIKE A CHARITY!!** These bills seek to convert BCBS from a special purpose, tax-exempt, charitable, non-profit organization into a special purpose, tax-exempt, charitable, for-profit group – and deprive the State of Michigan of the value of the BCBS corporate charter and goodwill. California reportedly received \$3 billion for the privatization of its Blues plan. Michigan should be looking for at least that much rather than giving away the ship with these bills.

**2. DON'T LET BLUE CROSS AND THE ACCIDENT FUND RENEGE ON THEIR PRIVATIZATION OBLIGATIONS!!** These bills would eviscerate the statutory limitations

and safeguards that were adopted when the Blues were permitted to purchase and privatize the Accident Fund. Under these bills, BCBS, the Accident Fund and its affiliates would, for the first time, be permitted to use BCBS tax-free dollars to compete with the private sector in areas other than workers compensation insurance.

**3. DON'T OVERLOOK THE MYRIAD UNINTENDED CONSEQUENCES THAT WOULD RESULT FROM THIS BILL PACKAGE!!** Any legislator who professes to believe in market forces rather than state-sponsored market interventions, needs to carefully evaluate these bills and think about the proper role for BCBS as Michigan's tax-exempt, non-profit health care corporation. BCBSM wants a "level playing field" with the rest of the individual health insurance market, while retaining its tax exempt status. At a minimum, these bills should be thoroughly vetted in a deliberative hearing process that is not rushed.

We have all heard the rumors that these bills are going to be railroaded through this committee today and sent directly to the floor for a vote. If you railroad these bills, you will cause a train wreck in our Michigan insurance marketplace. These bills represent shameless opportunism by Blue Cross in its apparent quest to transform its special charitable and benevolent social mission into a new, yet-to-be-defined for-profit/charitable hybrid.

I want to remind each of you that the Michigan Legislature has just voted in favor of increasing taxes on insurance companies while it lowered taxes for other industries. At the same time, it granted a compensation credit to all Michigan employers as it denied that credit to property and casualty insurers. More recently this Legislature voted to tax services – including services insurance companies contract for. The hasty decision to support that legislation has resulted in a number of recall campaigns that are currently pending.

All of those recent actions by this legislature have contributed to Michigan's rapidly declining reputation as an attractive place for insurance companies to locate facilities, employ citizens, and contribute to our economy. On behalf of more than 20 tax-paying property casualty companies and millions of Michigan consumers, we ask you to take this off the fast track, and study the unintended Consequences of creating the first Bluesopoly in history. An issue that this important deserves more than a rubber stamp from this committee and this legislature.

Thank you for your attention to our concerns.

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